(b) what steps are being taken by Government to make people free from it;

(c) whether he will consider upon the recommendations of the World Bank in future; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Yes, Sir. The World Development Report, 2006, while suggesting certain general basic principles for mobilizing tax revenues in ways that minimize efficiency costs and at the same time do not undermine equity, states, "In many instances, the most important taxes affecting the poor are not formal ones levied through the tax code, but implicit taxes, including bribes and inflation". However, the statement has been made in general and there is no particular reference to India.

(b) In order to reduce the scope of unaccounted economy, Government has taken several measures such as significant reduction and rationalisation of duties and taxes, delicensing and deregulation of industries and essential economic services and emphasis on good governance in both public and private sectors. In addition, to the above measures, specific anti-inflationary measures of the Government include effective supply and demand management of essential commodities through liberal trade and tariff policies and strengthening of the Public Distribution System.

(c) and (d) The recommendations of the multilateral organisations are kept in view by the Government while formulating appropriate economic policies.

Debt burden of States

†623. SHRI LALIT KISHORE CHATURVEDI: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the maximum amount of the loan given to the States is spent on the development of infrastructure facilities that does not earn sufficient income to pay the interest even;

(b) whether it is also a fact that the present arrangement has increased the debt-burden on the States so drastically that they have been trapped in the debt-net and their financial management is becoming disorderly;

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†Original notice of the question was received in Hindi.

(c) if so, by when this anomaly would be sorted out?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Return on infrastructure projects are poor due to low user charges, larger gestation period and poor maintenance spending. More than half of the borrowings are used by States for their current expenditure, leading to higher deficit and borrowing. Higher borrowing for expenditure on infrastructure combined with lower return on the investment has increased the debt servicing of the States.

(c) Twelth Finance Commission recommended Debt Consolidation and Relief Facility, under which States are required to bring own fiscal correction path by reducing revenue deficit to zero and fiscal deficit to 3% of GSDP by 2008-09. Besides, Twelfth Finance Commission has recommended sizeable grants in aid to States to supplement their resources. These may enable the States to have more fiscal space to improve the quality of expenditure on infrastructure.

Financial AID to Poor Farmers

624. SHRI PRAMOD MAHAJAN: Will the Minister of FINANCE be pleased to state:

(a) whether the institutional finance agencies have failed to provide finance to the poor farmers resulting in more suicides by farmers;

(b) if so, the reasons therefor; and

(c) if so, Government's reaction thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) No, Sir.

(b) and (c) Do not arise.

Constitution of Sixth Pay Commission

625. PROF. R.B.S. VARMA:
SHRI BALAVANT *ALIAS* BALAPTE:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Fifth Central Pay Commission had recommended in para 171.11 and 171.12 of its Report that the Sixth Central